

AGENDA
NORTH DAKOTA RACING COMMISSION
500 North 9th Street, Bismarck, ND
Monday, December 22, 2003
10:00 a.m.

1. APPROVAL OF LICENSES

a. STATE SERVICE PROVIDER

Racing Services Inc

Lien Games

b. TOTE PROVIDER

(a) Am Tote International

c. SIMULCAST SITES

(1) Fort Abraham Lincoln Foundation

Capitol Lanes

Paragon Bowl

(2) Team Makers Club Inc

The Bowler

Green Room

(3) Fair Circuit Horse Racing Assn

The Winners' Circle

The Turf Room

(4) Development Homes Inc

Rumors

(5) Williston CVB
El Rancho Club

(6) Jamestown Eagles Club
Jamestown Eagles Club

(7) Turtle Mountain Band of Chippewa
Sky Dancer Casino

2. LIVE RACE DATE REQUESTS

a. Outdoor Recreation Development Assn (ORDA)
(6 race dates)

June 12 & 13

June 19 & 20

June 26 & 27

b. Horse Race North Dakota
(19 race dates)

July 30 – 31

August 1

August 6 – 8

August 13 – 15

August 20 – 22

August 27 – 29

September 3 – 6

Harness Meet

(3 race dates)

September 10 – 12

c. MSU Logrollers/Bottineau
unspecified dates requested in letter Mr. Norman Glinz

3. PURSE/BREEDERS' FUND REQUESTS

a. ORDA - \$134,400

b. Horse Race North Dakota
\$ 350,000 - Purse Fund
\$ 150,000 - Breeders' Fund
\$ 10,000 - First Lady's Cup
Total \$ 510,000

Horse Race North Dakota (Harness Meet)
\$ 42,000 - Purse Fund
\$ 7,500 - Breeders Fund
Total \$ 49,500

c. Grass Roots Stallion Stakes

\$ 5,000 - Futurity
\$ 5,000 - Derby
Total \$ 10,000

d. ND Quarter Horse Racing Assn

\$ 5,000 - 2006 Stallion Stakes
\$ 5,000 - 2007 Derby

4. PROMOTION FUND REQUESTS

a. Outdoor Recreation Development Assn (ORDA)

\$ 80,000 - Operating
\$ 30,000 - Track Improvement
Total \$ 110,000

b. Horse Race North Dakota

\$ 450,000 - Operating

c. Horse Race North Dakota (Harness Meet)

\$ 56,595 - Operating

d. NDSU – Dept of Animal & Range Sciences

\$ 320,000 - debt service on facility
\$ 100,000 - facility operations
\$ 50,000 - equine program support
\$ 470,000

e. Racing Services Inc.

\$ 23,850 - Further promote interest in horse racing

f. ND Quarter Horse Racing Assn

\$ 5,000 - Stallion Season Service Auction

g. ND Thoroughbred Assn

\$ 5,000 - Stallion Season Auction

- h. Pembina County Fair Association
 \$ 10,000
- i. Development Homes Inc.
 \$ 5,000
- j. Fort Abraham Lincoln Foundation
 \$ 10,000
- k. Team Makers Club - West Fargo
 \$ 1,900 - Promotional Items
 \$ 600 - Media Ads
 \$ 500 - Printed Material
 \$ 3,000
- l. Williston Convention & Visitors Bureau
 \$ 4,000

5. Additional Business

- a. RSI Bonds
- b. Purchase of Trophies
- c. October 8, 2003 Minutes Approval
- d. Approval of NAPRA payment of \$10,000

6. Other matters which may come before the Commission

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If you plan to attend the meeting and will need special facilities or assistance relating to a disability, please contact the Racing Commission at 701-328-4633.

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MINUTES
NORTH DAKOTA RACING COMMISSION
Live Meeting
Monday, December 22, 2003
500 N 9th Street, Bismarck, North Dakota

PRESENT:

Chairman James Boehm, Commissioners Sue Andrews, James Arthaud, James Clement, and Clarence Frederick, Sr., Director of Racing Paul Bowlinger, General Counsel Bill Peterson, Auditor Roger Thompson, and Administrative Officer Helen Tessmann.

OTHERS PRESENT:

Bayer, Nancy - NDQHRA/NDTBA
Bubel, John - ND Quarter Horse Racing Association
Cichy, Mike - Lien Games, Inc.
Clemmens, Nelson - Racing Services, Inc.
Cole, Janell - The Fargo Forum
Davis, Pete - ORDA - Belcourt
DeCoteau, Blaine - ORDA - Dunseith
DeMontigny, Doug - ORDA/Grass Roots
Drewes, Wayne - Receiver - RSI
Glasser, Leon - NDQHRA
Glinz, Norman - ND Harness Association
Glinz, Twilla
Grant, Will - Turtle Mountain Tribes
Hall, Kevin J. - Lien Games, Inc.
Hagen, Lance
Hayes, Ben - US Off Track
Heinert, Wes - ND Quarter Horse Racing Association
Kerber, Roger - Fair Board Racing Services
Lien, Ken D. - Lien Games Inc.
Malaterre, Blaine - ORDA - Belcourt
Moen, Kris M. - ND Thoroughbred Association
Pawluk, Ken - ND Horse Park Foundation
Plummer, Doug
Reed, Terry - Horse Race North Dakota
Schmidt, Leslie - Horse Race North Dakota
Szefflinski, Paul - AmTote International
Thomas, Shelly - ND Quarter Horse Racing Association
Thompson, Glenn - Horse Race North Dakota
Tilton, John - Horse Race North Dakota
Others

The meeting was called to order at 10:00 a.m. by Chairman Boehm. The roll call was taken as indicated above by Executive Director of Racing Bowlinger.

AGENDA ITEM #1
Approval of Licenses

1a. State Service Provider -
 - Racing Services, Inc.
 - Lien Games

Executive Director Paul Bowlinger stated much information has been received and that this is the most important topic to be discussed today, that of the decision on the Service Provider for the state of North Dakota to run the simulcast operation and to be the service provider for all the charities. There are two applicants; the first is Racing Services, Inc. Everyone is aware of the current status of Racing Service, Inc. but what they may not be aware of is that the receiver is currently here, Mr. Drewes and also their spokesman, Mr. Nelson Clemmens, and they will be presenting on behalf of RSI to the situation as to why they believe they should be the licensee. In addition, Lien Games will also be presenting their information.

Counsel Bill Peterson stated that he has given each of the commissioners a copy of some laws that are pertinent for consideration. The first two are rules regarding the general licensing requirements for the simulcast service provider and a rule concerning the denial of license and the grounds for that denial. It follows with some rules and law that could have been potentially violated by RSI and should also point that if you do decide to deny a license, the applicant gets notice of the denial and an opportunity for a hearing.

Chairman Boehm recognized Wayne Drewes, receiver of Racing Services, Inc. Wayne Drewes stated that he has been the receiver since August of 2003. After the court appointment, they have worked very hard to get the company in position to go forward. They have found that they have strong support among the vendors and strong support among the players and that they are prepared and ready to go forward and to reduce the debt that is owed to the state and others. They are prepared to go forward without a single large player or a single large group of players as soon as the licensing issue is resolved. Wayne then introduced Nelson Clemmens.

Nelson Clemmens stated he became acquainted with Racing Services starting in September of this year. He became formally engaged as a consultant with the goal to invest in this business on a turnaround bases. They feel given the infrastructure, the customer base, the personnel and the technology that they are there. With good support from the industry and good support from their venders, the tracks and from all the domestic business they are looking towards growing here in the state of North

Dakota. His background is as a turnaround investor. He has a corporate finance firm based in Lewisville, Kentucky and he has been in the corporate finance arena his whole career.

Nelson Clemmens continued that they have a plan for transition of the company where he would be principal going forward. The support from the industry, the support of AmTote, their tote provider and having Paul (Szeftlinski - AmTote International) attending the meeting is evidence of the strong vendor support, as well as, other letters of support in the information that was provided. All are very aware of the issues and circumstances of the day.

Chair Boehm asked for questions from commission members.

Commissioner Arthaud asked Nelson Clemmens, you say going forward that you are going to be the principle. Nelson answered yes. Then Commissioner Arthaud asked if Nelson was the principle now and Nelson answered no. Commissioner Arthaud asked how would they know for sure going forward that you are going to be the principal at this licensing time. Nelson answered that that is in part of the process meaning that they anticipate a renewal of the license and with that he would complete his discussions and negotiations with the Attorney General's office. That, as you all know, is the primary liability of the company. But that is a two-step process from which they have been formally involved over the last 6-8 weeks.

Commissioner Arthaud again asked if it was, at this point in time, RSI who is asking for the license with the same corporate structure as they have had in the past. Is that correct?

As they stand today. That is not the intent as they step away from the meeting replied Nelson Clemmens.

Executive Director Bowlinger asked that with the indictment of RSI and in particular of the company itself, with forfeiture provisions alleged in the federal complaint, how do you see that impacting your decision. Nelson Clemmens answered that is the driver for separating and purchasing the business and forming a new entity. That is the reason to take the resources, the infrastructure, the personal and not have that encumbered entity part of the go forward plan. He will be the principal. Executive Director Bowlinger asked then what would be left if the entire company is forfeited? Nelson answered there would be certain liabilities perhaps, very few actually, and certain assets. Executive Director Bowlinger asked from the time you have expressed interest in this has the indictment of the company made any difference in how you have approached it. Nelson stated he would say so and the hope was that it would be a go forward plan without an indictment involved but I think included in your information here there is a statement from Sue Bala who has been very supportive and constructive in the transition with the intention of his self becoming the principal. He has expressed to the Attorney General that he intends to keep his the commitments and he has had formal discussion and he does want to

know clearly what commitments are and he will be careful with those commitments. He wants to develop a business that will be recognized, it is going to be a growth engine.

Executive Director Bowlinger stated that the commission should be guided by our general licensing requirements, operator's general benefit to the state of North Dakota, the operator's corporate conduct and reputation, history, and the final financial stability. He has had to advise the Racing Commission that Racing Services owes the general fund a great deal of money regardless of what happens with the federal indictment whether RSI is exonerated or whether RSI is found guilty. There is this huge amount of money as result of the unreported handle, which will be due the state of North Dakota. Bowlinger asked do they have a feasibility study for paying that amount of money back?

Nelson Clemmens replied that is part of the discussion again with a buy out and that would be part of the arrangement. The basis with which they do it has been expressed and he is willing to make a commitment that is reasonable, that allows the company to prosper and addresses the state's issues.

Executive Director Bowlinger asked how long would he anticipate the court receivership being placed? Nelson answered they felt it would be wrapped up, as early as, the mid part of the first quarter given the transactions and the discussions that they have had, and that is again based on decisions at the meeting today and final discussions with the Attorney General's office.

Chairman Boehm asked for any further question.

Commissioner Clement asked with respect to the issues of the state which are some \$6 million dollars owed, what would you consider a reasonable offer or settlement, what percentage of those taxes do we have the possibility of capturing? Nelson replied it would be more than a reasonable percentage.

Commissioner Clement stated his other question would be if things do not go according to plans, what kind of mess could be created legally, if they would grant the license to RSI and not grant the license to Lien Games, and end up with a big mess for 3 months, 6 months, a year, what is the worst case scenario?

Nelson Clemmens stated he would trust that transactions of this nature always seem to take longer than usual. Whether it is people's schedules or documentation considerations, but his intention is to move very rapidly thorough the process and they have a structure in place, he would be surprised if they couldn't, with support, consummate it within 60 days, actually January 31st would be an ideal date. They have been working towards that.

Executive Director Bowlinger was asked by Commissioner Clement, what he felt the worst case could be. Director Bowlinger stated that any time one denied a license, there is the right to appeal the denial of that license, as long as the denial is valid, the

merits of that, of course, will influence greatly the chances of being upheld. Either one could appeal the decision of denial.

Counsel Peterson pointed that the applications are not exclusive. You could grant both applications, with maybe a consideration that there may not be enough business for two service providers, or the reason why you might deny one or the other but you can grant both licenses.

Executive Director Bowlinger responded that the history of that is that it has been somewhat argued that you could only grant one license or that the commission has the ability to grant two. Counsel would know far better about the legality of that as in 1995 the commission was faced with the possibility of licensing two and the administrative law judge, I believe, finally concluded that the Racing Commission at least had the prerogative to only license one provider as they so choose because the market simply isn't big enough.

Commissioner Arthaud had a question that if they go to court and they are convicted of whatever they are charged, can the courts take away their license at that time or does it come back to this commission's lap. Executive Director Bowlinger answered that it would come back to the commission, as far I am concerned. Counsel Peterson added that if that occurred this commission could consider revoking the license.

Nelson Clemmens stated, that as they discussed last week or week before last, the application was made in receivership, with himself just coming in at that time, with the intention of doing a transition.

Chairman Boehm asked any further questions from the commission members.

Commissioner Arthaud asked if this license would be denied are you going to go forward with taking over RSI? Nelson Clemmens replied yes.

Chairman Boehm stated that Lien Games would next present their application.

Ken Lien thanked the chair and board members and stated he is Ken Lien, he is owner and operator of Lien Games Charitable Gaming, his has distributorship and license in both North Dakota and Minnesota. They have been licensed in the charitable game business for over 25 years. He came forward with the license application, the main reason that would be an alternative to the commission. They were mostly concerned with instilling the honesty and the integrity back into the industry that has recently eroded in the eyes of the industry and possibility the prospective of the players and the charities. He has been a long time support of charitable gaming in the state of North Dakota. He also offered the application because he lives in North Dakota and is proud of North Dakota. He wants to see this industry survive in North Dakota and he wants to see the money and hub of the racing and everything stay in North Dakota. Not saying the employment would go out of North Dakota if it was granted the other way but the

ownership would be North Dakota owned if it stayed with Lien Games. The other entity that was mentioned, while he was sitting listening, was that he was not aware there could be two providers. He can say right now he and his partners offered this as an alternative for the commission as opposed to RSI.

Chairman Boehm asked if there were any questions from the committee.

Executive Director Bowlinger advised the commission that our auditor has looked at the confidential books which have been provided by Lien Games and he believes there is sufficient finances to start this but the questions which he thought the commissioners should ask Mr. Lien was what basis do you believe that you can get contracts up and running at these tracks. We received a letter this morning from Mr. Crockran, the chairman of AmTote, who states that he is urging the Racing Commission to continue relationship with RSI. Are you aware of that and if we would be licensing AmTote do you have sufficient contacts with AMTote where you would be able to pick up that contract. Ken Lien replied that they do believe they do and Mr. Cichy who is also a working member of our organization has spoken with those people and he wanted him to address that if he wouldn't mind.

Mike Cichy stated that he has spoken with the Vice President of Sales regularly, has spoken with him this morning and given adequate time, five to seven days, he sees no problem with the turn over.

Commissioner Arthaud asked Mike Cichy, so you are totally confidence that you can make a smooth transition, you guys got everything in place, all contracts are up and running and you will be going by right after the first of the year. Mike answered, yes.

Executive Director Bowlinger advised the commission that he had spoken with the President of AmTote this morning, after receiving his fax; and his preference was that because of the infrastructure that the Racing Commission re-license whatever entity comes out of RSI. Mr. Bowlinger then asked him that if in the event that did not occur would they contract with Lien Games and he said yes. That is the information he received this morning.

Chairman Boehm asked if there were further questions from the commission.

Executive Director Bowlinger had a question for Mr. Lien. Do you see yourself staying in this business or is this simply a turn around to buy this business and then sell it out in a year to someone else?

Ken Lien stated that he had been in business for 25 years; he does not have intentions of going anywhere.

Commissioner Clement asked your plan to go ahead is really dependent upon denial of the licenses to RSI? Is that correct? Ken Lien replied, pretty much, yes.

Chairman Boehm asked for any further questions from the audience regarding the issues of the two provider applicants. There being none, Chairman Boehm was ready to hear a motion from commission members.

Commissioner Arthaud moved to deny Racing Service, Inc. the license as service provider. Commissioner Clement seconded the motion.

(Discussion)

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

Commissioner Arthaud moved to grant the license to Lien Games, Inc. as the service provider for 2004. Commissioner Clement seconded the motion.

(Discussion)

Executive Director Bowlinger stated that it is obvious that the commission does take a risk. The license is for a year. If Mr. Nelson Clemmens goes forward with their plan, that in a year when license comes is up for renewal and Lien Games, Inc. does not work out, then in a year a new license will be granted.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

**1b. Tote Provider
- AmTote International**

Executive Director Bowlinger stated that only one tote provider application was received to be licensed and he recommends that AmTote International be licensed, as he sees no reason to deny this application.

Commissioner Clement moved to license AmTote International as the tote provider. Commissioner Clarence Frederick seconded the motion.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

1c. Simulcast Sites - Fort Abraham Lincoln, Team Makers Club Inc., Fair Circuit Horse Racing Association, Development Homes Inc., Williston Convention and Visitors Bureau, Jamestown Eagles Club, and Sky Dancer Casino.

Executive Director Bowlinger stated that there were two issues. First the applications for Jamestown Eagles Club and Sky Dancer Casino came in late but they are applying to give money to the state. With the denial of the license for RSI, and the simulcast sites of the Green Room, which is in the RSI building the charities may need to choose a second site.

His suggestion was for two motions. One motion to grant all the licenses with the except of the Green Room and the Turf Room and a second motion to grant the licenses to the Green Room and the Turf Room upon location inspection and approval from the Director. Executive Director Bowlinger continued that since he has to license the location he would need two motions.

Commissioner Andrews moved to license all sites except the Green Room the Turf Room. Commissioner Clement seconded the motion.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

Commissioner Clement moved to license the site of the Green Room and the Turf Room upon inspection and approval from the Director. Commissioner Andrews seconded the motion.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

AGENDA ITEM #2
Live Race Date Requests

2a Outdoor Recreation Development Association (ORDA)

Executive Director Bowlinger stated that the application from ORDA was received on a timely bases. This application is for June 12 & 13, June 19 & 20 and June 26 & 27 race dates.

Commissioner Frederick moved to grant the six dates for ORDA. Commissioner Clement seconded the motion.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

2b. Horse Race North Dakota

Les Schmidt, Horse Race North Dakota, asked that the race dates be amended to exclude the first weekend date.

There was discussion regarding the reasons for this request.

Commissioner Arthaud moved to approve the race dates in Fargo. Commissioner Clement seconded

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

2c MSU Logroller/Bottineau

Executive Director Bowlinger stated that the letter from Mr. Norman Glinz was received late and application has been delinquent the last four years.

Commission Frederick stated that he does not see an application before the commission. Executive Director Bowlinger expressed that that was correct as only a letter was received. Chairman Boehm stated that we couldn't deny a request for something we haven't received. Counsel Peterson added that the commission does not have an application at this time to deny.

Chairman Boehm announced Item #3 was next on the agenda.

Request was made to break for a few minutes. The meeting broke at 11:25 a.m.

At 11:40 a.m. Chairman Boehm called the meeting back to order.

Executive Director Bowlinger explained the next item on the agenda was item #3, the Purse/Breeders' Fund Requests. Each of the categories is exactly what this office received as their request.

AGENDA ITEM #3
Purse/Breeders' Fund Requests

3a. ORDA - \$134,400

Executive Director Bowlinger asked the commissioners to look at the special fund balance sheet tab, that is the checkbook telling what is available. Last year ORDA received \$20,000 from the Purse and received \$10,000 from Promotion Fund. I do not recall if they received anything from the Breeders' Fund. Executive Director Bowlinger asked Doug DeMontigny and it was decided it was \$30,000 total. So looking at last year's agenda, ORDA received a total of \$30,000 and now their request is for \$134,400 and asked the Chairman Boehm to open the floor Mr. DeMontigny.

On behalf of ORDA, Mr. DeMontigny stated they think that over 6 days of racing, their request is based on 48 races, or \$2,800 a race. He wanted to point that last year they received \$30,000 total and only \$10,000 in purse dollars. They paid out \$33,700 in purse money last year in Belcourt. He pointed that out how valuable dedicated people in that area are to horse racing and at what length they will go to to raise dollars, any and all resources available to us, the fund raising, the activities right at the race track itself generates dollars. We paid more in purse than they started out from the Racing Commission last year. Obviously we will not be able to do that every year. We had some start up dollars last year and that is what enables us to do this. We ran only three days last year and experienced extremely surprising participation, it is difficult to get a count of the horses up there because so many are local. They felt they saw over 200 head of horses participating in that three-day meet, from several state and Canadian province. So the interest is there, we do have friends and people who do want to run at Belcourt, do want to participate up there. They took a look at the entries for the first couple days down in Fargo and estimates were between 40 – 50% of the horses to start in Fargo were from Turtle Mountain area and that does not include the horses that have run in Belcourt and spring boarded into the Fargo operation.

Executive Director Bowlinger asked why Mr. DeMontigny why they did not ask for Breeder's Fund? Mr. DeMontigny replied that he let his personal opinion on that enter into this because he felt the Breeders' Fund is for breeders and the Purse Fund for purses. Breeders' Fund should be paid out to breeders and that is what it is intended for. If we keep taping the Breeders Fund for purses then we might as well take mare and studs out of the Breeder Fund and ask for our money back and put those dollars into purses if that is the way they are going to be used. Also they do not have any bred races up there. Those were all moved to Fargo as soon as Fargo became available. So they do not have the official state bred races up there as they have had in the past so that is the reason for not asking for those dollars.

Executive Director Bowlinger stated that they are required for each race to run at least one race per day per breed. Correct? Mr. DeMontigny answered yes. But it does not say it has to come out of purse fund. Executive Director Bowlinger continued to ask did you run any just North Dakota races specific to North Dakota breeds? Mr. DeMontigny answered yes. Executive Director Bowlinger continued by stating, so those could have been funded out of the Breeders' Fund? Mr. DeMontigny answered yes.

Executive Director Bowlinger asked Kris Moen, Leon Glasser and Joe Schafer to volunteer their comments. What do you believe is the appropriate amount of purse funds that should go to Belcourt?

Kris Moen stated that not having talked about this at a meeting and so he is going to say a personal opinion, now I am not representing anyone. As to what level, I guess I wouldn't be personally be in favor of the \$134,000 but maybe somewhere above the 30 levels is appropriate.

Joe Schafer asked if he was talking about the general purse, are they suppose to make a decision or breed fund. Executive Director Bowlinger answered just out of purse fund. Joe answered, oh, that he had no idea and that he would have to figure it out and he was kind of thinking they would have to go more if they got more days, no doubt about what they did last year. But he felt \$120,000 was quite strong.

Doug Plummer addressed the chair and Chairman Boehm recognized Mr. Plummer. Mr. Plummer expressed that he thought that one is looking at the best buy in the industry by going to Belcourt with the funds they asked for. If you look at what has happened thorough the years this is where the horsemen get the most money for dollars invested in the purse fund. Now the Breeders Fund has had a history of illegal activity. I can name them 1998, 1999. A lot of people don't even want to talk about it what we had. Horses running who weren't stamped in the North Dakota Bred Futurity. Strictly the problem with the Racing Director and the steward. The next year we had the Dan Demert, which was supplemented with Breeders' Funds, one went to a ND bred dam horse, and the rest were all out of state. Now these are the problems that we see taking Breeders' funds and putting it into Purse Funds and then throwing those into the world. We don't get the dollars and you look at Fargo was the worst thing this year. On, Thoroughbred Futurity, you raise a horse, you get it ready, you shoe it, you spend \$4,000 or \$5,000 getting it ready, three days before the race meet at Fargo, you realize you can't run your horse. You are on the eligible list for the ND Thoroughbred breeders Funds. \$19,000 you can't even run your horse. You don't even get a chance. Your horse sits in the stall. Boy, if you are lucky enough to be drawn in there are no jockeys to ride it. So again you have no chance. These are why we have got to get rid of the Breeders Funds out of the purses because there is too much corruption of race meets.

Chairman Boehm recognized Mr. Norman Glinz of the ND Harness Association.

Mr. Glinz stated that he would say that harness people they race for a lot less money. They don't need the money that Thoroughbreds need. But they have twice the training, twice the cost. It costs a lot of money to keep this here racing going, you know, and I would like to see it keep going. I am 81 years old and still am fighting for people. I will do it in agriculture and I will do it in horse racing and I will work for it. But I realize I don't know how they come up with a purse fund of \$350,000 and then \$42,000 for the Harness Horses. The same way with Breeders awards, they get \$150,000 and we get

\$7,500. And of course, I realize that we can't sell any horses when it's down this low. And I don't know if you can change that because we are too late. But whoever put that amount in there, I wonder how you derive at, do you average it out, even the purse money, they ask for more purse money and I can ask for less, we still don't get the rich stakes, they get many rich stakes, and I think it should be equal count, you have got to help us out a little.

Executive Director Bowlinger pointed out that the Commission should look at requests put in by Horse Race North Dakota, by ORDA, and for the Harness meets. I don't know what the people here foresee in the Simulcast industry, why anyone thinks that these huge betters are going to return and we will have all this money everybody got used too, I don't know on what logical assumption they would assume, what possible information they would have, that the checkbook is going to be opened up again. But if we grant this, the Racing Commission would be broke in three years. And I doubt that anyone in this room is going "boy, we have got to compromise". The job of the Racing Commission is ultimately going to have to be a compromise if we want to assure racing survives. I think that everyone has to compromise.

Mr. DeMontigny stated that he thinks the door has been left open and they understand that. But we don't think we should shut down today in anticipation of running out of money in three years from now.

Chairman Boehm agreed with Mr. DeMontigny but we need to be very cautious, you know we can always add money to these purses and breeders, but we can't take it away once we appropriate it. So I think we need to look at the future of horse racing and get the most years we can. Hopefully our betters come back and we can raise this money. We can always add more is what I am suggesting to commission.

Commissioner Arthaud had a question for Executive Director Bowlinger, so in the light of being treated fairly what do you recommend? Executive Director Bowlinger replied well, they are going to race extra days.

Mr. DeMontigny stated that last year they were given x number of dollars to run on. They were given the option of running on any and all of those dates that we desired. And I guess I would look at having that same option and flexibility available to us.

Executive Director Bowlinger stated that is the way he also saw it, Doug. I did not see any harm in giving you the entire race dates and then you could cut back. But I was thinking of something in the neighborhood \$60,000 to \$70,000 in purses. \$10,000 from the Breeders' Fund to run some races, that gives you \$70,000 - \$80,000. Five years ago that would have been unheard of.

Mr. DeMontigny stated he knows that this is a very difficult spot for the commissioners to be and if the commission is willing to move to that effect that Belcourt could live with that.

Commissioner Arthaud asked Executive Director Bowlinger if that was double last year's. Executive Director Bowlinger answered yes.

Executive Director Bowlinger recognized that Belcourt's meet was successful last year, it helped Fargo, and it ran without incident, which was really helpful to the commission.

Commissioner Frederick moved to grant \$70,000 from the Purse Fund and \$10,000 from the Breeder's Fund for a total of \$80,000 to ORDA. Commissioner Andrews seconded the motion.

(Discussion)

Commissioner Clement had a question to Doug Plummer. As Commissioner Clement looked at the century code it says, "North Dakota Racing Commission shall establish North Dakota Breeders' Fund program added money and award payment." So for horses that are licensed as North Dakota breds, do you object to that if the race entries are legitimate, do you have any problem with that? Because it gets back to breeder does it not?

Doug Plummer replied that he thought it might be alright from time to time to put a little bit of Breeders' Fund money in there but like he explained in the Thoroughbred the other part of it when you don't even get a chance to run. You raise the horses, and train them, and get them to the track and three days before the meet is over you find out you can't even get in the race. And you have paid \$400 besides to enter the race. They send \$360 back and say thank you. It was sure nice of you to bring your horse, you pay \$50 for stall and do all those things but you don't even get to run for those Breeders' funds. Now to me that may not be illegal, I haven't found in the law were it is illegal but it is sure not ethical or fair. Until we do something to clear that up, I think we keep the Breeder's Funds out of the Purse Funds.

Commissioner Clement asked if it is a function of just policing it? Because is it not legitimate to put added money in races that are strictly intended for accredited North Dakota bred horses.

Doug Plummer answered that apparently that was set up in the law when we had very little funds in the Purse Funds and needed to put some additional funds. Now there are funds in the Purse Fund, which will provide half the funding so we don't need to be throwing in Breeders' Funds.

Executive Director Bowlinger added there is more money in the Breeder's Fund than there is in the Purse Fund.

Commissioner Clement added that to clear this up in his mind, is that as he looks at it, if you are a breeder, or a breeder that runs a horse, and you have these funds available,

and if the horse is accredited, registered and eligible for these particular races, you are either going to get in awards at the end of the year or you are going to get it in purses, or you are going to get it both ways, right?

Doug Plummer answered its possible. We probably should be looking at totally changing that Breeders' Fund the way it is set up. We have just three horses, you know, even if you get in the race, there is only three that will get Breeders' Funds and that's where putting it in the Purse Fund, if you are lucky enough to get in the race you might have a shot at getting some of the supplemented funds. But we have got real problems in our Breeders' Fund at the present time.

Chairman Boehm asked for any other discussion amongst the members. Chairman Boehm then asked the Director to read the motion.

Executive Director Bowlinger read the motion as to award Belcourt \$70,000 out of the Purse Fund and \$10,000 out of the Breeders' Fund be to used at their discretion for their race dates.

Chairman Boehm asked for the roll call.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

3 b. Horse Race North Dakota

Executive Director Bowlinger asked the commissioners to look at the motion made by Commission Arthaud last year regarding funds to Fargo on purses was that the Racing Commission would award \$300,000 in purses to the Fargo race track. That was for that year. We were anticipating a eight-year amortization and that OMB amount as December 31, 2002 and if you subtract out that \$300,000 would then be divided into 7 years and sheet you have in front of you does that and what you come up with is \$277,686.70 so this is kind in line with that \$300,000 figure.

Commissioner Arthaud asked for the Executive Director Bowlinger's input.

Executive Director Bowlinger informed that the Racing Commission has gone on record, we have represented to the legislature about we can keep this racing program up and

running for at least the next seven years. We just gave Belcourt \$80,000. If we give this we are down to four years if we give Fargo what they want. The Director of Racing stated that he would hate a report coming out of here that the Racing Commission is breaking its' word. If we can take that down to \$290,000 for the Purse Fund and take the Breeders' Fund down to \$125,000 we are going to be staying pretty close to that. That is guaranteed five years from now on. Executive Director Bowlinger stated the First Lady's Cup would be included in the \$290,000. We can look at that again in the future and that is in four months to see how much money is starting to roll back in check book. There is a real possibility that the checkbook stops for the next three months.

Chairman Boehm stated that we have got to be realistic. We can't spend money on the hopes of what is going to happen. If it does, like I said we could always add money, we can always spend money that is the easy part. It's the getting it that is tough. So we want to be fair and try to have good races that are funded adequately and still try to get some years out of it this.

Commissioner Arthaud asked Executive Director Bowlinger what would he suggest for the next part of it for the Harness Meet. Mr. Bowlinger replied that the Harness Meet is problematical. The Director Racing asked Les Schmidt what bottoms they ran for in 2003. Mr. Schmidt replied \$2,000 average is what we requested for the Harness Meet. I think we were running \$1,400 to \$2,800, \$3,000.

Executive Director Bowlinger stated that previously the Racing Commission was looking at funding the racetrack at about \$300,000 a year. He stated he was more comfortable at \$290,000 for the Purse Fund, \$125,000 for the Breeders and with the Harness Meet you are at \$35,000 and \$7,500 that they can make that work.

Commissioner Arthaud moved to award the ND Horse Park \$290,000 out of the Purse Fund, \$125,000 out of the Breeders' Fund and that for the Harness Meet award \$35,000 out of the Purse Fund and \$7,500 out of the Breeders' Fund.
Commissioner Andrews seconded the motion.

(Discussion)

Commissioner Clement stated that we have talked about this long enough but because the use of Breeders' Fund's money is pretty contentious he suggested that they go with Mr. Moen's suggestion and requested an amended motion and down to \$100,000 out of the Breeders' Fund.

Chairman Boehm asked if Commissioner Arthaud wanted to amend his motion or do we want to vote on this motion. Commissioner Arthaud suggested that they leave that as a point of discussion.

Executive Director Bowlinger read the motion that ND Horse Park be awarded \$290,000 out of the Purse Fund, \$125,000 out of the Breeders' Fund and that for the Harness Meet they receive \$35,000 out the Purse Fund and \$7,500 out of the Breeders' Fund.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

3c. Grass Roots Stallion Stakes
\$ 5,000 - Futurity
\$ 5,000 - Derby

(Discussion)

Executive Director Bowlinger stated that it was his understanding in looking at the minutes from 2002 that these monies were not awarded last year and there was quite a lengthy discussion as to the reasons of giving the track the money and letting the track make the decision if these were going to run. I can only tell you that there will be arguments why you should fund this. The Racing Commission, last year, did not grant these funds.

Commissioner Arthaud asked why did we not do this last year, Paul? Executive Director Bowlinger stated that he believed the decision was simply that we wanted to get out of the micro-management of racing purse dollars.

Commissioner Arthaud and Clement both asked where would the race be run? Mr. Doug DeMontigny answered that he thought that would be a board decision. A Grass Roots board decision. Commissioner Clement asked if that decision has been made and Mr. DeMontigny replied that they do not have any money. Commissioner Clement continued would it be made at the grass roots level.

Kris Moen stated that he knows that about what he is about to say will raise the hair on a lot of people's neck but I believe it to be true. This race is primarily a quarter horse race, they do allow Thoroughbreds into the thing, it is primarily a quarter horse race and since the inception of it and I am a current member of the ND Quarter Horse Association as well as the Thoroughbred Association and in the past what I have heard is that this race was started to make horses that couldn't compete at higher levels had a place to run. And I think that is definitely something that needs to be considered. We

do not want to lower the level of racing in North Dakota. And I know this is the purest sense of North Dakota racing but in a sense our breeders not going into other races because they think this is going to be an easier race and in essence are rewarding breeders that are breeding down instead of up.

Chairman Boehm recognized Leon Glasser.

Leon Glasser stated that we had a discussion at our last Quarter Horse meeting and we had no problem with Grass Roots getting that money.

Commissioner Arthaud asked Executive Director Bowlinger if we would give it to the Grass Roots, do you regulate it, or does this office regulate it then? Executive Director Bowlinger answered no we just give it to them.

Doug Plummer stated that our North Dakota horses really are not as bad as lot of the people indicate around here. I have a horse that I bred and raised here and run it in South Dakota. It was the fastest qualifier of two year old in South Dakota. One year, the following year I had the fastest qualifying time as a three year old. And that was against all the heritage place horses. All the people that were favored at our Fargo track. So I do not have to back up to any of them as far as putting horses in the gate but I can't even get them to the gates in our current operations.

Commissioner Clement moved to approve \$10,000 to the Grass Roots Futurity and Derby and be handled by them. Commissioner Arthaud seconded the motion.

(Discussion)

Chairman Boehm asked for any other discussion. If not, take the role.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

3d ND Quarter Horse Racing Association

\$ 5,000 - 2006 Stallion Stakes

\$ 5,000 - 2007 Derby

Executive Director Bowlinger announced that this is a request for the ND Quarter Horse Racing Association.

Executive Director Bowlinger asked if there would be a commitment from Mr. Glasser that these races would be run in Fargo. Mr. Glasser answered oh, yes, that there is that commitment.

Executive Director Bowlinger added that if it helps the commission considering the previous motion, and its passage along with this, it again is why I recommended lowering to \$290,000 because this is going to give it another \$10,000 so you are getting up to where I think they are going to be able to make it work. The Director of Racing had no problem in recommending the \$5,000 and \$5,000.

Executive Director Bowlinger restated that there is the commitment that they would be run for the year 2005.

Mr. Leon Glasser was asked if it was going to be run this year and he said yes that they would start this year, the very first race this year in Fargo.

Commissioner Arthaud moved to approve the request for the ND Quarter Horse Racing Association for \$10,000. Commissioner Clement seconded the motion.

No further discussion.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

At 12:50 p.m., Chairman Boehm announced that a half hour break would be taken

Chairman Boehm called the meeting back to order at 1:30 p.m. and that item #4a; Promotion Fund Requests was next on the agenda.

AGENDA ITEM #4
Promotion Fund Requests

4a. ORDA - \$110,000
 \$ 80,000 - Operating

\$ 30,000 - Track Improvement
\$ 110,000

(Discussion)

Executive Director Bowlinger stated that for now for the newest commissioner's enlightenment now we are talking about a completely separate fund which is the Promotion Fund, again if you look under tab which is the special fund balance sheets you can see the Promotion Fund and its balance, that essentially is your checkbook, and then if you, under the Promotion Funds you will see that ORDA that being Outdoor Recreation Development, if you go to that tab, they requested \$80,000 for operating expenses and \$30,000 for Track Improvement, obviously you have already given them race dates, you have given the \$70,000 plus \$10,000 in Purse and Breeders and this is the money to help operate the meet and I am assuming they have someone here that would like to speak on that request.

Chairman Boehm recognized Mr. Doug DeMontigny.

Doug DeMontigny spoke on behalf of ORDA I guess we are asking for \$80,000 in operating money, the figure is around \$13,000 a day that actually will not cover operating expenses. Past history is showing cost of around \$17,000 per day but we make up that different out of our activities or concession stand and sale of programs, this type of thing. We are actually asking you to get us close to enough money to operate on. The \$80,000 will not cover all expenses by any means. Some of these fixed hard costs, like tote boards, and these type of things, if they vary at all, it will be they will go up and not down. And these are the fixed costs per day that we just can't get around, you know we just have no way around these, so that is where we come up with the \$80,000 operating money.

The track improvements we would really like to do something about the jockey's quarters. Those dollar amounts are aimed at fixing that problem as well as some improvements on electrical hookups at the barn, and some water supplies, they are inadequate and we have never had a horse-washing bay.

Chairman Boehm asked for any other comments.

Will Grant stated he just wanted to go back to being fair with funds with Turtle Mountain and with Fargo.

Executive Director Bowlinger added that if the commission should choose to award Promotion Fund monies for this for operation, again because the Racing Commission does not have within it's budget enough funds, out of their operating to cover these costs. That last year the stipulation was that inside that award they would be responsible for covering the cost of the steward, vet and the drug testing, which they

did. And also, of course, the jockey insurance would be required which I know is getting to be problematical in pricing.

Executive Director Bowlinger asked Doug, could you tell me what did the casino put in last year. Doug answered \$5,000.

Commissioner Arthaud asked for a recommendation from the Director of Racing. The Director of Racing recommended somewhere around \$30,000.

Will Grant added that that is pretty low comparing to Fargo.

Commissioner Arthaud stated so your recommendation is \$30,000 for operating. Is that what you are saying? Executive Director Bowlinger stated that he thought that was the ballpark that they were looking at.

Pete Davis explained everybody thinks the casino is a big bank. We are in a rural area we barely make it. We go there and beg, and plead with them like we do here to try and get money. We meet with them three different times just to get \$5,000 and we had a heck of a time to do that.

Will Grant stated speaking on behalf of the tribe, what he would do, what I will bring to the table is, he will get the casino more involved with the horse event. I think we could squeeze the casino for a little more money for the race meet.

Doug DeMontigny asked if he could make a suggestion. You have alluded to us running four days, and that could happen. If we got \$10,000 a day for four days, that would get us close enough where we would be pretty sure we are going to be successful and make up the rest of the cost per day. So I guess what I am saying for operating dollars if we end up with \$40,000 I believe that we can make it. We will have to do what we have been doing in the past. Stretch every nickel. I don't know that we can run six days. We will have to push the pencil real hard. But if we could get \$40,000 I think that would get us within reach of running.

Chairman Boehm asked for other comments.

Jim Tilton with Horse Race North Dakota stated just a few things that he would like to bring to bare here, from the stand point, I really have no problem with regard to what ORDA has done and I know you have some great races last year. But I don't think you can actually compare on a day for day bases Fargo and Belcourt. I think there are a lot of other situations. I give you an example, I have heard all about this volunteer help. Do you know we did assessment of our volunteers just for last year? In our assessment of volunteers, we have something like \$2,280,000 dollars of donated equipment use from the city of Fargo, and all these things, \$2.28 million dollars. Now that is a lot of money to come out of an area. I know we have a lot of volunteer time but I can be honest with you say to you that there were several people in Fargo that worked

out there sixteen hours a day and sometimes eighteen hours a day and took not one dollar in monies. We did not get paid. So I want to try to clear up that idea that everybody was paid. Everybody was not paid. I don't know how many hours I work and it does not even show up on the volunteer things and I know how many hours Ken Pawluk worked and I know how many hours Don Hart work and I know Glenn was out there fifteen, twenty hours a day trying to get this project ready to go. And it does take time and effort to make this things go. It takes a lot of volunteers but I think what we have to do is that we have to keep it in mind there is only so much money here. We are trying to take and do the best thing we can We're trying to put together the best track possible and have the best races that we can and I honesty would like you to defer from this idea of comparing Fargo to Belcourt from the stand point of mine.

Will Grant replied that they are not trying to compare. We know we can't compare to a track that was given millions of dollars to build. We can't do that but we are always going to be there and with the little help we get that's great. We just want that. We need it. The horsemen out of the Turtle Mountains we all patronize Fargo and we always will but like I said it just goes back to being fair. That's all it is. Nothing, against Fargo, they have an excellent facility.

Commissioner Arthaud moved to grant ORDA \$35,000 on the operating.
Commissioner Clement seconded the motion.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

Executive Director Bowlinger stated the next item is the track improvement for the race track. This pretty much has been addressed by Doug DeMontigny. You are looking at jockey quarters and things.

Doug DeMontigny comments that the improvements that they suggest we are beneficial to all the horsemen that come here to run and that is the reason they feel justified in asking for these dollars. Because if we can have appropriate jockey quarters available so that the jockeys have water, a restroom, a place to rest between races, I think it helps all the horsemen. Some of the others like the barn facility improvements that we ask for these help horsemen as well. It isn't just us. It isn't my horse. These are the type of improvements we are talking about and they have always been for the benefit for the public who comes and races with us and we enjoy having them up there.

Commissioner Frederick moved to grant ORDA \$15,000 on the track improvements. Commissioner Clement seconded the motion.

After no further discussion, Chairman Boehm asked the Executive Director to take the roll. Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

Chairman Boehm announced the next item was item 4b, Horse Race North Dakota.

**4b Horse Race North Dakota
 \$ 450,000 Operating**

**4c. Horse Race North Dakota (Harness Meet)
 \$ 56,595 - Operating**

(Discussion)

Executive Director Bowlinger stated this was the operating expense put in by Horse Race North Dakota. That was put in under their previous amount of days, which we have cut back, by three. First of all there has been \$100,000 already committed to them so whatever amount would be forth coming in a motion should state whether that is included in the amount they would be given. Last year, the amount was \$200,000 plus the \$100,000 committed so they received \$300,000 for the operating expenses. The other thing I would point out before you maybe turn it over to either Jim or Les, was I think you came out with about \$15,000 - \$56,000 to the good out of this race meet which you are holding.

Les Schmidt replied the surplus money on the race meet was right in that area and of course that was... Les stated in their request, what they had done is request the same amount as they did last year accept added the \$75,000 for each weekend, so if we are back to five weekends our request should be \$375,000 instead of \$450,000.

Commissioner Arthaud asked Executive Director Bowlinger what was awarded last year? Executive Director replied \$300,000. Then we ended up giving additional amounts for the Harness Meet.

Commissioner Arthaud asked why was there a request for \$75,000 extra? Les replied an additional weekend of racing. It would mean more money for tote board like Doug

said; our tote board is a set cost per day, racing secretary is that much more per day, the steward is more, that type of thing. Executive Director replied of course this would anticipate the cost of regulation that being the drug testing, the vet, and the steward. Now will you be saving some money in that you're quite a bit more up and running this year than you were last year. Les replied the expenses basically going to be the same as what they were last year again, liability insurance was \$10,000 and ended up being \$30,000 that type of thing.

Ken Pawluk stated that he would like to add that every dollar that the Racing Commission has given to Horse Race North Dakota or North Dakota Horse Park Foundation has found it's way to the track, and he hoped you would agreed that those dollars have been used very efficiently and provided a lot of value for what the end result is. And that would be the same case here. And also he wanted to note that they are not making a request for track improvements and certainly there are things that this facility needs as well. They have taken the approach that if we can do things like we did them last year, it would be a successful operation. So if you reduced our request by the \$75,000, which would be at \$375,000, even with the diminished Purse and Breed Fund disbursements, I think that we can have another very good show.

Commissioner Frederick asked if the \$375,000 include the \$100,000 that you already are going to get so that would it be \$475,000. Ken Pawluk said that they would take \$475,000 if it were on the table. Executive Director Bowlinger stated you are talking about \$275,000 in addition to the \$100,000, correct, but we still have the Harness Meet. Ken said that the Harness Meet will pretty much be, unless it is less of a meet, it is going to have to be pretty much be at what it is recorded at. Les stated that their request for 2004 is basically the same amount of money as it was in 2003. That turned out to be just about a complete wash for those three days of harness racing.

Commission Arthaud requested the Director's recommendation. Executive Director Bowlinger stated that every time he looks at this he tries to come up with something reasonable, by looking at that Promotion Fund balance, no matter what happens in the next year, if this thing run up in the next six years, and I am adding what we have spent already, it would be preferable if they could do the regular meet plus the Harness meet for \$375,000.

Les just did not see how they possibly squeeze the \$57,000 into that \$375,000 and run the five weeks. Now if we want to go back to the four weeks format I believe we can make everything work. Executive Director Bowlinger stated, but you do have an extra \$50,000 sitting there that you were going to put into equipment. Les stated that of the \$50,000 there, Paul, there was probably \$120,000, which was what you might say over and about what the Racing Commission give us, and we spend half of everything that we made back into the meet to make it work. And if we have to do that again this year, because if you look at the end budget, we are talking about a \$23,000 profit this year with our budget the way it is. Executive Director Bowlinger stated that what he was looking at is if you add the \$375,000 plus \$50,000 or \$425,000 plus what you gave to

Belcourt in any of the others, you are going to be at \$500,000 out of your Promotion Fund. Your Promotion Fund is basically sitting at two million. In four years you are done. Now, of course, depending if your big betters come back, or not.

Ken Pawluk added that he doesn't feel they should look at the funds as completely drying up. He recognized that the industry is facing some challenges right now, but you still are generating revenue every day and funds are still coming into the Racing Commission on a much smaller handle than you were previously dealing with. But I also think we have to recognize that we are probably at the low point right now of the activity.

Executive Director Bowlinger stated that the one thing that he wanted to be consistent on is that as he has testified, approximately twelve times before the legislature, and told them that these funds were not apt to continue, and he believed he was ignored and every time he told them that, everyone continued to tell him, yes, it is going to keep coming, and it hasn't, and so that is why he feels so strongly that we need to keep the end of that checkbook somewhat in balance.

Les Schmidt asked if he was right in thinking that we have the \$100,000 already allocated out of the Promotion Fund, so in that situation then we are only asking for another \$275,000 out of the Promotion Fund. Executive Director Bowlinger answered yes, and that he was saying if you could Les added so that is less than \$300,000 that we are asking for. \$275,000 plus \$56,000 is \$325,000 basically is what we are asking for over and above what is already there.

Chairman Boehm asked Ken Pawluk if he was expecting any donations like Belcourt is donating to their racetrack from the casino and things like that. Are you anticipating any donations from Fargo?

Ken Pawluk answered yes. In addition to what already been granted we will receive \$25,000 Convention and Visitor's Bureau for the 2004 season. And I don't believe we have any other contributions scheduled at this time towards the race operation. We certainly have the volunteer effort that is the only way that this meet can be pulled off.

Commissioner Frederick moved to grant \$375,000 granted to Horse Race North Dakota, which would include the Harness Meet.

Commissioner Frederick stated that he was looking at what they had to do over there and can't figure out why you should get the full amount when they can only get half. They are going to have to cut back two days maybe or one, or whatever; Les said if they had to it, they could do it.

Chairman Boehm stated that there was a motion was there a second. Is there a second, is there a second.

Motion dies for a lack of a second.

Commissioner Arthaud asked Executive Director, do you think \$400,000 is going to do it. Executive director answered, I think \$400,000 will have to do it. That is \$300,000 in an addition to the \$100,00 committed. That's \$400,000 there minus a weekend or if they have to cut out one week day and run one less Friday, just run on the weekend. I think that is fair. Commissioner Frederick asked if the \$400,000 included the Harness Race. Executive Director answered that is correct and includes the \$100,000 previously committed.

Commissioner Arthaud on the line item asked about the \$30,000 for that short period of time for liability insurance. Les explained that their insurance agent was here today, that an annual premium for \$30,000 Liability Insurance and Workmen's Compensation wasn't this year but it will be \$18,000. Executive Director Bowlinger asked if there were any potential liability claims and the answer was none that they were aware of.

Executive Director Bowlinger stated that this was his fourth year of doing this and he hasn't seen anyone walk out of here extremely pleased so I think the commission has to look at your numbers and decided what you think is best. I understand Mr. Pawluk's argument and I think mine has been stated. Les stated he did not see any reason whatsoever we can't make it work with the \$400,000 if you would grant us that amount.

Commissioner Frederick moved to grant Horse Race North Dakota \$400,000. Commissioner Clement seconded the motion.

(Discussion)

Executive Director Bowlinger clarified that the motion for \$400,000 would include the \$100,000 previously committed and include the Harness Meet and would require that Fargo track would pick up cost of the steward, the vet, and drug testing which is what they did last year.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

Chairman Boehm stated the next item was 4d. NDSU - Dept. of Animal and Range Sciences.

4d. NDSU - Dept. of Animal and Range Sciences

\$320,000 - debt service on facility
\$100,000 - facility operations
\$ 50,000 - equine program support
\$470,000

(Discussion)

Executive Director Bowlinger stated that item d is the NSDU - Department of Animal and Range Sciences request for \$470,000. The Director of Racing stated the problem with this request is that I don't see the Racing Commission has having these fund. Secondly on a philosophical level, although I certainly understand their position, their barn and the issues that NDSU has, they went over budget for the same valid reasons our track went over budget, but there wasn't a request from the North Dakota Racing Commission forth coming to NSDU saying please help us out with the 1.5 million dollars that our track went over. So those are my thoughts and I have confirmed with Mr. Tilton that a denial of this would in no way jeopardized the cooperation that we have between NDSU and the racetrack in trying to keep working in harmony for the betterment of NDSU and the betterment of horse racing. Is that a fair statement?

Mr. Tilton answered that that was a fair statement. Dr. Odee is doing his level best to take and generate support for the barn. And all he is doing is going around to the various agencies where he see a possible relationship and asking those people to listen to his proposal and to solicits funds. And I think certainly it is his responsibility to do that and he is doing that in good faith.

Chairman Boehm asked for motion.

Commissioner Arthaud moved to deny the request of NDSU. Commissioner Frederick seconded the motion.

(Discussion)

Commissioner Clement had one comment that he thought if the North Dakota Racing Commission ever returned to prosperity, a logical recipient of funding would be NDSU. Because I think as you look into the future, as you look at the big picture, if an equine science program is developed at North Dakota State University, as for example the aerospace science at UND. Executive Director Bowlinger added that without NDSU's commitment to the barn this track may not have been built and without the hard work of people in harmony that this would not have occurred and it is simply the matter of timing. It really has been mutually beneficially relationship between the two. I know that is personally how I feel and I know that is how the commissioners had voted for and felt at the time.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

Chairman Boehm announced that item 4e; Racing Services Inc. is next on the agenda.

4e. Racing Services Inc.

\$23,850 - Further promotes interest in horse racing.

(Discussion)

Commissioner Arthaud moved to deny the request to Racing Services, Inc.
Commissioner Clement seconded the motion.

No further discussion held.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

Chairman Boehm announced that item 4f, ND Quarter Horse Racing Association.

4f ND Quarter Horse Racing Association - \$5,000
\$ 5,000 - Stallion Season Service Auction

4g ND Thoroughbred Association
\$ 5,000 - Stallion Season Auction

(Discussion)

Executive Director Bowlinger stated that these are both Stallion Season Auctions, I believe there are representatives from both associations to present their position on this. They are far more adept at explaining the benefits of this.

Chairman Boehm asked if these had been granted in prior years. Executive Director Bowlinger answered, yes they have. It has been an on going appropriation for five or six years.

Leon Glasser answered that you are right, this is something that has been done for several years and our programs are similar yet a little bit different with what we do with each one. However, basically what it is we go out and solicit in different states and in North Dakota to donate these fees received and they then donate them and we auction them off, we take money and then put it back into the purse. That is kind of the long and short of it.

Executive Director Bowlinger informed there is a reasonable return on the investment. This does really benefit the horsemen. I have no problem recommending it. Again the only problem is, you hate just because you continue to grant something, that the money is always going to be there. But in the situation we are in now, I think that this is still a worthwhile investment.

Executive Director Bowlinger added that if they were considering a motion that 4f and 4g could be considered together.

Commissioner Clement moved to approve the funds requests for ND Quarter Horse Racing Association and ND Thoroughbred Association for \$5,000 each. Commissioner Arthaud seconded the motion.

No further discussion.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

Chairman Boehm announced that item 4h; Pembina County Fair Association was next on the agenda and asked what they got last year.

4h. Pembina County Fair Association

Executive Director Bowlinger stated he was not sure that they applied last year. The year before he thought they received something like \$28,000. Pembina County Fair is a fair that runs in Hamilton, ND, which is up by Cavalier, they have been running a harness meet for approximately 110 years, they do not run pari-mutuel and for that I am

happy. Because pari-mutuel is not cost effective, they do not generate sufficient revenue. However, these folks have been running for 105 or 110 years. They put up almost all of their own money. And when they found the Racing Commission had some money to support horse racing, about three or four years ago they came to the Racing Commission and said could you give us some money to at least help us improve our track, help us with the grandstand, and make, which was important to me, put some surface materials on the track which made the track safer for the horses. I think this was promoting the sport of horse racing and it was another opportunity for about \$10,000 to expose a huge county fair to the sport of horse racing. I know it is not pari-mutuel but it is horse racing and the rules do allow it. Those folks have been good backers of the horse industry, I have no problem recommending this grant. I don't see anybody here that came to support it. Is there anybody here that will state that it should be denied?

Commissioner Arthaud suggest that they would be tinkled pink with \$7,500 then is that what you are saying. Executive Director Bowlinger replied, I think so.

Kris Moen stated that without it being pari-mutuel there is no chance of any return. Executive Director Bowlinger stated that you are looking at keeping more horses at least running and actually think they get a lot of press coverage out of that meet in some of the journals. What I am saying is considering the existing law, they can come in and ask for pari-mutuel. This is probably not a bad bang for the buck.

Commissioner Arthaud moved to grant \$7,500 to the Pembina County Fair Association. Commissioner Clement seconded the motion.

No further discussion was held.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

Chairman Boehm announced that item I, Development Homes, Inc. was next.

4i-I Development Homes, Inc. - \$5,000, Fort Abraham Lincoln Foundation - \$10,000, Team Markers Club - \$3,000, Williston Convention & Visitors Bureau - \$4,000

Executive Director Bowlinger explained items which are marked I, j, k, I are all in your Promotion Fund Request, the charities, especially the smaller charities, have a real difficult time in making it under the existing infrastructure so approximately four years ago we started the ability to allow them to request monies out of the Promotion Fund if they agreed to use it to advertise and promote the product of simulcast racing which is the revenue side of the game. Last year, we gave each of the charities that applied \$3,500. They always apply for different amounts, however, just using common sense it is not fair to award one charity \$5,000 and the next \$3,500. I think as you have seen in my suggestions I believe we should stay at the \$3,500 figure for each of the charities. For Development Homes, that would be \$3,500, for Fort Abraham Lincoln Foundation that would be two sites that would be \$7,000, for Team Makers, that would be two sites, and Williston Convention and Visitors Bureau that would be \$3,500. It really helps the charities out, it keeps their names in the paper and it keeps people showing up on derby day. I think it is a good way to give it back to the charities to help them out.

Commissioner Clement asked if they have to account for those funds? Executive Director Bowlinger stated that they do not get the funds until they send back in each of their expenses itemized to this office. I will get a bill from the Williston Convention and Visitors Bureau from the radio stations, for \$300 and we will send out a check for \$300 until they use up their \$3,500. So the short answer is yes.

Chairman Boehm asked for any further discussion.

Commissioner Arthaud moved to grant \$3,500 for each site, for a total of six sites, totally \$21,000. Commissioner Clement seconded the motion.

(On May 18, 2004 amended to include Fair Circuit Horse Racing Association.)

(Discussion)

Commissioner Frederick asked if this was an ongoing thing or do they do this every year. Executive Director Bowlinger stated yes, it has been lowered a little bit and it has been as high as \$5,000 per site. But last year we reduced it to \$3,500 under the present circumstances I think that is a fair compromise.

With no further discussion, Chairman Boehm asked Executive Director to take the role.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

Chairman Boehm stated the next item was 5a, RSI Bonds.

AGENDA ITEM #5
Additional Business

5a RSI Bonds

Executive Director Bowlinger stated members of the commission you are aware, again I would like, for the benefit of the public that don't understand this, under the reported handle which was reported to this Racing Commission as of April 1st, 2003, RSI owed the general fund of North Dakota no money. They were not in delinquency at all. They had been granted a 60-day extension on their payments to the special funds. However after the April, which is now a matter of record an unlicensed site was busted, and then all of that handle came in and was reported as delinquent and all of sudden there was this huge tax debt. That tax debt came in the amount of being unreported handle. The reason members of the Racing Commission had previously granted the extension on the special funds was because they understood that there was a \$450,000 bond put up by Racing Services. Executive Director Bowlinger continued, so those amounts at the time were adequate to cover any delinquencies that RSI was behind so that is why the Racing Commission amongst its members believed there was not a huge problem in allowing that extra month in that it was covered by a bond. However, as you are aware, since April things spiraled out of control thorough no fault of the Racing Commission. Now RSI has been denied a license, now RSI is in delinquency to the state for an amount that is substantially greater than \$450,000. I can see no way that Racing Commission can not make a request to have that bond collected and I would ask the Racing Commission for a motion to instruct our Counsel to take whatever steps are necessary to proceed against that bond or bonds as quickly as possible.

Commissioner Andrews moved to instruct Counsel to take whatever steps are necessary to proceed against the RSI bond as quickly as possible.
Commissioner Arthaud seconded the motion.

Commissioner Arthaud asked who would be first in collecting on the bonds?

Executive Director Bowlinger stated the bond is required by law to protect the general fund. Counsel Peterson stated he was not certain about that I wasn't sure it made any difference for this consideration because whether or not, which fund gets the money, at this point, I don't think it is too important. We will certainly figure that out. If I would have anticipated that question, I could have had an answer for you but I can't right now. Executive Director Bowlinger stated that the bond loss payee is the Racing Commission or the letter of credit loss payee is the Racing Commission. Now the legal answer about whether that comes to the general fund or to us is one I would have to defer to counsel.

Executive Director continued that the \$50,000 expires in August of next year but the \$450,000 expires by December 31st and that is why it is imperative that counsel does something immediately.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

Chairman Boehm stated item 5b Purchase of Trophies was next.

5b. Purchase of Trophies

Executive Director Bowlinger stated if the members would look at the material that was sent out to you, the North Dakota Racing Commission out of the Promotion Funds purchases trophies, usually in the amount of \$250 for races that the Racing Commission has sponsored basically out of gratitude toward a former commissioner and people in the industry and that has gone a long way in keeping those names alive and some history in the sport. However for us to buy those trophies and engraving I need authority and so with that I would ask for a motion to allow the Director of Racing up to \$250.00 for the purchase of trophies and the engraving to give out to those horsemen of those various races.

Commissioner Clement moved to approve to allow the Director of Racing up to \$250.00 for the purchase of trophies and the engraving. Commissioner Arthaud seconded the motion.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

Chairman Boehm announced item 5c; October 8th, 2003 minutes need to be approved.

5c. Approval of Minutes - October 8, 2003

Commissioner Clement moved to approve the minutes of the October 8, 2003 meeting. Commissioner Frederick seconded the motion.

No Discussion

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

Chairman Boehm announced item 5d; Approval of NAPRA payment of \$10,000 was next.

5d. Approval of NAPRA payment of \$10,000

(Discussion)

Executive Director Bowlinger stated that our NAPRA payment is the North American Pari-Mutuel Regulator Association, which we belong to. The amount of annual dues is based on gross handle. The RSI problem has made this calculation more difficult however I have spoken with our director and told them on the collected handle thru 2003 it was \$172,000,000 so they have agreed to the payment \$10,000 to keep us in good standing with NAPRA. This is an extremely important organization. It gives us invaluable help and it is critical to our ability to survive in the simulcast world. So I would ask for a motion for \$10,000 so that we can make a payment of our NAPRA dues.

Commissioner Andrews moved to approve payment of \$10,000 to NAPRA. Commissioner Frederick seconded the motion.

Commissioner Arthaud asked if there was no way because of the plummeting value of the handle that we can pay down a little. Executive Director Bowlinger answered not this year. However, the dues will decrease if handle stays down.

Executive Director Bowlinger called the roll as follows:

Commissioner Andrews	-	Yes
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Commissioner Arthaud	-	Yes
Commissioner Clement	-	Yes
Commissioner Frederick	-	Yes
Chairman Boehm	-	Yes

The motion carried unanimously.

AGENDA ITEM #6

Other Matters Which May Come Before the Commission

Under other matters Chairman Boehm informed he had received requests that the Horsemen's Advisory Committee be put back into effect. Executive Director Bowlinger anticipated that he would do so and if you would like to appoint maybe one member of the commission so that I could run by them who is going to be on that advisory board and why, so it is not just me picking them. So I have someone to bounce that off of either Commissioner Clement or Commissioner Arthaud. Commissioner Clement if you would help me pick that advisory board. Commissioner Clement agreed. Executive Director Bowlinger stated that for your next meeting I will confer with Commissioner Clement and have a suggested membership. He added that he had nothing further.

Doug DeMontigny, stated that while we still have all of the group together, I want to thank you for your consideration on that board and I don't envy your position as you are going thorough some difficult times but we do appreciate your efforts.

The meeting was adjourned at 2:40 p.m. on December 22, 2003.